



OPEN MEETINGS NOTICE



0000105493

Leland R. Snook
Director
State Regulation & Pricing

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Mail Station 9708
PO Box 53999
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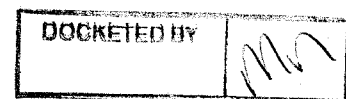
ORIGINAL

November 24, 2009

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

NOV 24 2009



RE: APS COMPLIANCE WITH DECISION NO. 70667 – APS/PINNACLE WEST COMMUNICATIONS WITH
CREDIT RATING AGENCIES
Docket No. E-01345A-08-0172

Attached please find copies of Arizona Public Service Company (APS) and Pinnacle West's available past communications with credit rating agencies as instructed per Decision No. 70667 (December 24th, 2008):

"Arizona Public Service Company shall file all currently existing communications within 10 days of the effective date of this Decision and shall file future communication on a monthly basis. The first such monthly report shall be due on February 1, 2009, and the monthly filing shall continue until the conclusion of Arizona Public Service Company's general rate case. Thereafter, Arizona Public Service Company shall make such filings on a six month basis, with the first filing due by January 1, 2010."

This monthly filing covers the communications with rating agencies from October, 27, 2009 through November 23, 2009. If you have any questions or concerns please contact Susan Casady at (602)250-2709.

Sincerely,

Leland Snook /sc

Leland R. Snook

LS/si

Attachments

cc: Steve Olea (unredacted)
Brian Bozzo (unredacted)
Barbara Keene (unredacted)
Terri Ford (unredacted)

RECEIVED
2009 NOV 24 P 4:47
AZ CORP COMMISSION
DOCKET CONTROL

Rating Agency Communication Log

Date	Person	APS/PNW Personnel	Subject	Comment
10/28/2009	Laura Schumacher, Moodys	Investor Relations	E-mail regarding Don Brandt being named Utility CEO of the Year	
10/28/2009	Phil Smyth, Fitch	Investor Relations	E-mail regarding Don Brandt being named Utility CEO of the Year	
10/28/2009	Tony Bettinelli, S&P	Investor Relations	E-mail regarding Don Brandt being named Utility CEO of the Year	
10/29/2009	Laura Schumacher, Moodys	Investor Relations	E-mail regarding earnings release	
10/29/2009	Phil Smyth, Fitch	Investor Relations	E-mail regarding earnings release	
10/29/2009	Tony Bettinelli, S&P	Investor Relations	E-mail regarding earnings release	
10/29/2009	Laura Schumacher, Moodys	Investor Relations	E-mail with 10Q	
10/29/2009	Phil Smyth, Fitch	Investor Relations	E-mail with 10Q	
10/29/2009	Tony Bettinelli, S&P	Investor Relations	E-mail with 10Q	
11/2/2009	Tony Bettinelli, S&P	Jim McGill	E-mail to S&P with liquidity surveys	Confidential attachments
11/2/2009	Tony Bettinelli, S&P	Jim McGill	E-mail from S&P re liquidity surveys	
11/10/2009	Laura Schumacher, Moodys	Jim McGill and Karen Dolyniuk	Called Moody's for letter confirming short-term debt ratings	
11/10/2009	Phil Smyth, Fitch	Jim McGill and Karen Dolyniuk	Called Fitch for letter confirming short-term debt ratings	
11/10/2009	Tony Bettinelli, S&P	Jim McGill and Karen Dolyniuk	Called S&P for letter confirming short-term debt ratings	
11/10/2009	Tony Bettinelli, S&P	Jim McGill	E-mail from S&P re short-term debt ratings	
11/10/2009	Phil Smyth, Fitch	Jim McGill	E-mail from Fitch re short-term debt ratings	
11/11/2009	Laura Schumacher, Moodys	Jim McGill	E-mail from Moody's re short-term debt ratings	
11/13/2009	Tony Bettinelli, S&P	Jim McGill	E-mail to S&P with liquidity survey	Confidential attachment
11/16/2009	Tony Bettinelli, S&P	Jim McGill	E-mail from S&P re liquidity survey	
11/17/2009	Laura Schumacher, Moodys	Investor Relations	E-mail regarding ALJ recommended order	
11/17/2009	Phil Smyth, Fitch	Investor Relations	E-mail regarding ALJ recommended order	
11/17/2009	Tony Bettinelli, S&P	Investor Relations	E-mail regarding ALJ recommended order	
11/18/2009	Phil Smyth, Fitch	Jim McGill	Voice-mail from Fitch re ALJ recommended order	
11/18/2009	Phil Smyth, Fitch	Rebecca Hickman, Investor Relations	Phone call with Fitch re ALJ recommended order	

11/18/2009	Phil Smyth, Fitch	Jim McGill	Phone call with Fitch re ALJ recommended order press release	
11/18/2009	Phil Smyth, Fitch	Jim McGill	E-mail from Fitch re ALJ recommended order press release	
11/18/2009	Phil Smyth, Fitch	Jim McGill	E-mail to Fitch re ALJ recommended order press release	
11/18/2009	Phil Smyth, Fitch	Jim McGill	E-mail from Fitch re ALJ recommended order press release	

McGill, James T(Z71171)

From: Higuchi, Dene C(Z05435) on behalf of Hickman, Rebecca (Z46875)
Sent: Wednesday, October 28, 2009 3:04 PM
Subject: PNW/APS: BRANDT NAMED "UTILITY CEO OF THE YEAR" BY SOLAR INDUSTRY

Today, Don Brandt, our CEO, was named "Utility CEO of the Year" by the Solar Electric Power Association. The text of a press release announcing the award is included below in this message.

As always, if you have any questions about this announcement or need other information about our company, please contact me.

Sincerely ~

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

SOLAR POWER INDUSTRY NAMES BRANDT "UTILITY CEO OF THE YEAR"

ANAHEIM, Calif. – APS Chief Executive Officer Don Brandt today was named the Solar Electric Power Association's "Utility CEO of the Year" at the Solar Power International 2009 conference in Anaheim, Calif.

Brandt was recognized for his efforts in helping Arizona become the "solar capital of the world." Under his leadership, APS solar initiatives include: Solana, the world's largest solar plant, which will be built in the Arizona desert; a commitment to invest \$500 million to develop 100 megawatts of utility-owned solar generation; a pilot project to provide solar panels on customer homes with no up-front cost; and a partnership with the National Park Service to power the Grand Canyon Visitors Center with solar panels.

"Don Brandt has positioned APS to take full advantage of Arizona's most abundant natural resource, the sun. APS is creating viable business models around solar energy that not only push the envelope but also push our industry forward," said SEPA Executive Director Julia Hamm.

"We very much appreciate this award. It reinforces our vision: we want the Grand Canyon State to become the Solar State," said Brandt.

APS has seen its renewable energy portfolio grow from less than one megawatt in 2001 to more than 235 megawatts today, enough to power 59,000 Arizona homes. APS has also published a resource plan that proposes renewable and solar energy meet half of all new customer demand during that time frame.

In 2006 the Arizona Corporation Commission set a Renewable Energy Standard of 15 percent by 2025.

Don Brandt has more than 25 years experience in the electric power industry. He is also Chairman of the Board, President and Chief Executive Officer of APS parent Pinnacle West Capital Corp. Before joining Pinnacle West in December 2002, he served as Senior Vice President and Chief Financial Officer at Ameren Corporation, a St. Louis-based diversified energy services company.

Winners of SEPA's "2009 Solar Business Achievement Awards" were selected in five categories based upon their efforts to expand solar energy as an essential part of the solution to the growing global energy crisis. Nominees for the awards included utility executives, electric utilities and solar companies from SEPA's member companies around the world.

APS, Arizona's largest and longest-serving electric utility, serves about 1.1 million customers in 11 of the state's 15 counties. With headquarters in Phoenix, APS is the principal subsidiary of Pinnacle West Capital Corp. (NYSE: PNW).

McGill, James T(Z71171)

From: Higuchi, Dene C(Z05435) on behalf of Hickman, Rebecca (Z46875)
Sent: Thursday, October 29, 2009 5:16 AM
Subject: PNW/APS: Third Quarter 2009 Earnings Release

Attachments: 3Q09 Complete Earnings Release and Analysis Packet.pdf; 3Q 2009 PNW Earnings Slides.pdf; Microsoft Office Excel Worksheet

This morning, we released our third quarter 2009 earnings and filed a Form 8-K. The 8-K contains supplemental information on quarterly operating statistics. For your convenience, we've attached a Complete Earnings Release and Analysis Packet. This information is also available on our website, www.pinnaclewest.com/investors.

The text of our earnings release is included below in this message.

Conference Call and Webcast Access

We will host an earnings webcast and conference call today at 12:00 p.m. (ET). The live webcast can be accessed at www.pinnaclewest.com/presentations and will remain on the website for 30 days. To access the live conference call by telephone, dial (877) 356-3961 and enter conference ID 16246283. A replay of the call will also be available through Friday, November 6, 2009, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering the same conference ID number.

We plan to use slides during our conference call and webcast. For your convenience, a PDF file of the slides is also attached.

As always, please contact me if you have any questions or need information about our company.

Sincerely,

Becky

Rebecca L. Hickman

Director of Investor Relations | Pinnacle West Capital Corporation

400 North 5th Street | Station 9998 | Phoenix, AZ 85004

Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com



3Q09 Complete Earnings Release...
3Q 2009 PNW Earnings Slides.pdf...

PINNACLE WEST REPORTS IMPROVED THIRD-QUARTER RESULTS

- *Quarterly on-going earnings improve*
- *Company remains focused on regulatory settlement for benefit of customers and other stakeholders*

PHOENIX – Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated net income attributable to common shareholders of \$186.7 million, or \$1.84 per diluted share of common stock, for the quarter ended September 30, 2009. This result compares with \$151.6 million, or \$1.50 per diluted share, for the same period in 2008.

The Company's on-going consolidated earnings in the 2009 third quarter were \$199.1 million, or \$1.96 per share, compared with \$161.1 million, or \$1.59 per share, in the comparable 2008 quarter. On-going earnings for both quarters exclude results for the Company's real estate segment, which is being restructured through the sale of a substantial majority of its properties. A reconciliation of our reported earnings to on-going earnings is provided at the end of this release.

The 2009 third-quarter on-going results were positively impacted by the following factors:

- *Improved mark-to-market valuations* of fuel contracts as a result of favorable changes in commodity market prices contributed \$0.22 per share to the quarterly earnings comparison.
- *Higher revenues resulting from retail rate increases* implemented in 2009 improved earnings by \$0.17 per share. Of this amount, \$0.13 is related to interim retail rates implemented in January. The balance is attributable to a retail transmission rate increase implemented in early August.
- *Operations and maintenance expenses* were lower by \$0.08 per share, primarily due to cost savings and efficiency efforts.
- *Warmer weather* – which included the hottest month ever recorded in Arizona – improved the Company's earnings by \$0.05 per share. The average temperature for July was 98.4 degrees, which includes the morning lows and afternoon highs. The previous record was 97.6 degrees, set in July 2003. Further, in the 2009 third quarter, there were 2,721 cooling degree-days (a proxy for the effects of weather) – 5.2 percent more than normal and 7.4 percent more than the year-ago quarter.

These positive factors were offset in part by the following items:

- *Costs related to various infrastructure additions and upgrades* to APS' distribution and transmission facilities, as well as existing fossil and nuclear generating plants, decreased earnings by \$0.14 a share. The cost increases included interest expense, net of capitalized financing costs, of \$0.09 per share; property taxes of \$0.03 a share; and depreciation and amortization expenses of \$0.02 per share.
- *A net decrease in kilowatt-hour sales*, excluding the effects of weather, reduced earnings by \$0.04 per share. The decrease was primarily related to reduced consumption by commercial and industrial customers as a result of the current economic slowdown and the Company's energy efficiency programs. Total retail electricity sales, on a weather-normalized basis, decreased 1.3 percent in the third quarter of 2009 compared to the 2008 period. Excluding the effects of weather, the average APS business customer used 2.5 percent less electricity during the period than the same period a year ago, while the average residential customer consumed about 1.4 percent less.

The net decrease in kilowatt-hour sales, however, was offset partially by customer growth in both the residential and business customer sectors. The average number of residential and business electric customers increased by 0.5 percent and 0.8 percent, respectively, in the 2009 third quarter compared with the year-earlier quarter.

Looking forward, the Company expects customer growth to average about 1 percent annually through 2011. Additionally, weather-normalized sales are expected to remain relatively flat through 2011 on a year-over-year comparison, due to the effects of APS' energy efficiency programs, and cyclical business conditions related to Arizona's housing market and the national economy.

"I am pleased with the third-quarter results from an operational perspective," said Pinnacle West Chairman Don Brandt. "In these challenging economic times, we remain keenly focused on controlling costs to help keep customer rates as low as possible, while providing clean, reliable and cost-effective electricity to power the State's energy needs.

"Additionally, we and our customers benefited from strong performance at the Palo Verde Nuclear Generating Station, which operated at full capacity throughout the quarter and generated its highest-ever summer production of about 11.5 million megawatt-hours of electricity."

Brandt added that Arizona Public Service Co. (APS) continues to develop programs that ensure clean energy sources and help customers use electricity more efficiently. "The ability to carry these programs forward and pay for them depends on positive outcomes in our proposed retail regulatory settlement," he said. "If approved as proposed, the settlement will increase our electricity prices by less than 1 percent over current rates for an average residential customer, and will provide significant benefits to customers, shareholders and other stakeholders, alike." The net price increase would reflect an early reset under the power supply adjustment mechanism, decreasing rates for fuel and purchased power.

For the third quarter of 2009, APS reported net income of \$197.1 million, compared with net income of \$159.8 million for the same period a year ago.

Real Estate Segment

Pinnacle West's real estate segment reported a net loss of \$12.4 million for the third quarter of 2009, compared with a net loss of \$6.0 million in the prior-year period. The loss was related to additional real estate impairment charges totaling \$22.6 million in the 2009 period, partially offset by the sale of certain real estate assets. The Company's real estate subsidiary, SunCor Development Co., continues to pursue the sale of its remaining assets.

2009 and 2010 On-going Earnings Outlooks Unchanged

The Company continues to estimate its on-going consolidated earnings for 2009 will be within a reasonable range around \$2.30 per share, excluding the results of its real estate segment.

For 2010, the Company continues to estimate its on-going consolidated earnings will be within a reasonable range around \$3.00 per share, excluding the impacts of its real estate segment.

The Company's earnings forecasts are subject to numerous risks, including those described under "Forward-Looking Statements" below and under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

General Information

Pinnacle West is a Phoenix-based company with consolidated assets of about \$11.8 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States.

Dollar amounts in this news release are after income taxes. Earnings per share amounts are based on average diluted common shares outstanding. For more information on Pinnacle West's operating statistics and earnings, please visit www.pinnaclewest.com/investors.

**PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY**

**NON-GAAP FINANCIAL MEASURE RECONCILIATION
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS
(GAAP MEASURE) TO ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)**

	Three Months Ended September 30, 2009		Three Months Ended September 30, 2008	
	\$ in Millions	Diluted EPS	\$ in Millions	Diluted EPS
PINNACLE WEST CAPITAL CORPORATION				
Net Income attributable to common shareholders	\$ 186.7	\$ 1.84	\$ 151.6	\$ 1.50
Adjustments:				
Real estate segment	12.4	0.12	6.0	0.06
Severance costs	-	-	3.5	0.03
On-going Earnings	<u>\$ 199.1</u>	<u>\$ 1.96</u>	<u>\$ 161.1</u>	<u>\$ 1.59</u>
 ARIZONA PUBLIC SERVICE COMPANY				
Net Income	\$ 197.1		\$ 159.8	
Adjustment:				
Severance costs	-		3.5	
On-going Earnings	<u>\$ 197.1</u>		<u>\$ 163.3</u>	

NON-GAAP FINANCIAL INFORMATION

In this press release, we refer to "on-going earnings." On-going earnings is a "non-GAAP financial measure," as defined in accordance with SEC rules. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Investors should note that these non-GAAP financial measures involve judgments by management, including whether an item is classified as an unusual item. We use on-going earnings, or similar concepts, to measure our performance

internally in reports for management.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements regarding our 2009 and 2010 earnings outlook, and neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, unless otherwise required by applicable securities laws. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume" and similar words. Because actual results may differ materially from expectations, we caution readers not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. In addition to the Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2008, these factors include, but are not limited to:

- regulatory and judicial decisions, developments and proceedings, including the outcome and timing of APS' pending retail rate case;
- our ability to achieve timely and adequate rate recovery of our costs;
- our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels;
- variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures;
- power plant performance and outages;
- volatile fuel and purchased power costs;
- fuel and water supply availability;
- new federal legislation or regulation relating to greenhouse gas emissions, renewable energy mandates and energy efficiency standards;
- our ability to meet renewable energy requirements and recover related costs;
- risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;
- competition in retail and wholesale power markets;
- the duration and severity of the economic decline in Arizona and current credit, financial and real estate market conditions;
- the cost of debt and equity capital and the ability to access capital markets when required;
- restrictions on dividends or other burdensome provisions in our credit agreements and ACC orders;
- our ability, or the ability of our subsidiaries, to meet debt service obligations;
- changes to our credit ratings;
- the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements;
- liquidity of wholesale power markets and the use of derivative contracts in our business;
- potential shortfalls in insurance coverage;
- new accounting requirements or new interpretations of existing requirements;
- transmission and distribution system conditions and operating costs;
- the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region;
- the ability of our counterparties and power plant participants to meet contractual or other obligations;
- technological developments in the electric industry; and
- economic and other conditions affecting the real estate and credit markets in SunCor Development Company's market areas, which include Arizona, Idaho, New Mexico and Utah.

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McGill, James T(Z71171)

From: Higuchi, Dene C(Z05435) on behalf of Hickman, Rebecca (Z46875)
Sent: Thursday, October 29, 2009 5:17 AM
Subject: PNW/APS: Third Quarter 2009 Form 10-Q

Attachments: PNW 3rd Qtr Form 10Q 2009.pdf

The PDF file of the combined Pinnacle West and APS third quarter 2009 Form 10-Q is attached for your use. If you would like to receive a printed copy of the report, please let me know and we will be happy to mail it to you.

As always, please contact me if you need information about our company.

Sincerely,

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com



PNW 3rd Qtr Form
10Q 2009.pdf ...

McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Monday, November 02, 2009 3:17 PM
To: 'Bettinelli, Antonio'
Subject: 2009 Jun-Aug SP-Liquidity Survey.xls
Attachments: 2009 Jun-Aug SP-Liquidity Survey.xls

Tony,
Here are the liquidity surveys for June through August 2009. Let me know if you have any questions.

Jim



2009 Jun-Aug
SP-Liquidity Surv...

REDACTED

S&P LIQUIDITY SURVEY

1	Line	2 Company:	Arizona Public Service	Pinnacle West Capital Corp.
3		3 Date (data as of)	June 30, 2009	June 30, 2009
4				
9		Section I - Sources of Primary Liquidity		
10	Question A1	Total Unrestricted Cash	\$	Amount (millions \$)
11	Question A2	Availability under committed bank lines	\$	
12	Question A3	Collateral posted	\$	
13	Question A4	Market Value of Discretionary Inventory	\$	
14	Question A	Total Primary Liquidity (A1+A2+A3+A4)	\$	
15				
16	Question A7	Collateral received from counterparties (cash only)	\$	
17				
18				
19		Section II - Credit Event Liquidity Calls		
20	Question B1	Negative MTM related to credit thresholds	\$	Underlying exposure
21	Question B2	Negative MTM related to adequate assurance	\$	
22	Question B3	Estimated 60-Day Exposure	\$	
23	Question B	Net Exposure (net as allowed by contractual terms)	\$	
24				
25	Question C	Static Margin	\$	
26	Question D	Triggers in loans & contracts	\$	
27	Question E	Commercial Paper outstanding (including PC Bonds)	\$	
28		Total Credit Event Exposure (B+C+D+E)	\$	
29				
30	CELA Ratio	Credit Event Liquidity Adequacy (A/(B+C+D+E))		
31				
32		Section III - Credit and Market Event Liquidity Calls		
34	Question F1	Neg MTM given a Credit Event + 15% price increase in 1st yr and 20% thereafter	\$	Line 31 after stress
35	Question F2	Neg MTM given a Credit Event + 15% price decrease in 1st yr and 20% thereafter	\$	
36	Question F	Take larger of the two above (F1 or F2)	\$	
37				
38	MCELA Ratio	Market & Credit Event Liquidity Adeq (A/F)		
39				
40		Section IV - Monthly Volume (realized physical sales and purchases)		
41	Question G1	Natural Gas (mmbtu) Purchases		
42	Question G2	Natural Gas (mmbtu) Sales		
43				
44	Question G3	Power (MWh) Purchases		
45	Question G4	Power (MWh) Sales		
46				
47	Question G5	Crude Oil (bbl) Purchases		
48	Question G6	Crude Oil (bbl) Sales		
49				
50	Question H	Baseline Henry Hub Average One-Year Forward Price of Gas used for this survey (\$/MMBtu)?		
51				
52	Question I	Absent a credit event and assuming a parallel shift of the entire forward curve, how high/low must the average one-year forward price of gas (Henry Hub) move before your company exhausts all sources of primary liquidity reported in Question A? Please consider both the effect of additional margin calls as well as other working capital items. ^{a,d}		

Notes:

- (a) Exclude cash collateral posted to back LCs.
- (b) Gas inventory used for arbitrage trading will be considered a source of primary liquidity as long as the inventory is not pledged as security under the terms of an existing bank line.
- (c) Absolute price the average one-year forward price of gas would have to reach to exhaust all primary liquidity. Assume that power and oil prices move in proportion to gas prices. Cash collateral from counterparties should NOT be counted as a source of primary liquidity.
- (d) Available threshold [REDACTED] on 6/30/09.

S&P LIQUIDITY SURVEY

Arizona Public Service
July 31, 2009

Pinnacle West Capital Corp.
July 31, 2009

Amount (millions \$)	Amount (millions \$)
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$

Underlying exposure	Underlying exposure
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$

Line 31 after stress	Line 31 after stress
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$

Line 31 after stress	Line 31 after stress
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$

Line 31 after stress	Line 31 after stress
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$

Baseline Henry Hub Average One-Year Forward Price of Gas used for this survey (\$/MMBtu)?

Line 31 after stress	Line 31 after stress
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$
\$	\$

Notes:

- Exclude cash collateral posted to back L/Cs.
- Gas inventory used for arbitrage trading will be considered a source of primary liquidity as long as the inventory is not pledged as security under the terms of an existing bank line.
- Absolute price the average one-year forward price of gas would have to reach to exhaust all primary liquidity. Assume that power and oil prices move in proportion to gas prices. Cash collateral from counterparties should NOT be counted as a source of primary liquidity.
- Available threshold on 7/31/09.

McGill, James T(Z71171)

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Monday, November 02, 2009 3:33 PM
To: McGill, James T(Z71171)
Subject: RE: 2009 Jun-Aug SP-Liquidity Survey.xls

Thanks.

From: James.McGill@pinnaclewest.com [mailto:James.McGill@pinnaclewest.com]
Sent: Monday, November 02, 2009 2:17 PM
To: Bettinelli, Antonio
Subject: 2009 Jun-Aug SP-Liquidity Survey.xls

Tony,
Here are the liquidity surveys for June through August 2009. Let me know if you have any questions.

Jim

Email Firewall made the following annotations

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McGill, James T(Z71171)

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, November 10, 2009 1:14 PM
To: McGill, James T(Z71171)
Cc: Dolyniuk, Karen E(J97440)
Subject: S&P's short term ratings 11-10-09

Karen,

As of November 10th 2009, S&P's short term rating applied to commercial paper issues is 'A-3' at Pinnacle West and Arizona Public Service. Our outlook on the issuer credit rating is Stable.

Regards,

Tony Bettinelli
Associate
U.S. Utilities & Infrastructure
Standard & Poor's Corporate Ratings
San Francisco, CA
(415) 371-5067
tony_bettinelli@sandp.com

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McGill, James T(Z71171)

From: Philip.Smyth@fitchratings.com
Sent: Tuesday, November 10, 2009 4:37 PM
To: McGill, James T(Z71171)
Subject: Rating verification letter

Attachments: pnw_ratings verification letter for PNW & APS cp programs_11.11.2009.pdf



pnw_ratings
verification lette...

Jim,

Attached is the ratings verification letter as requested. Please let me know if you need anything further.

Phil
212 908 0531

(See attached file: pnw_ratings verification letter for PNW & APS cp programs_11.11.2009.pdf)

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Mr. James McGill, CPA
Manager Corporate Finance
Pinnacle West Capital Corporation
P.O. Box 53920
Phoenix, AZ 85072-3920

November 11, 2009

Dear Mr. McGill,

Re: Pinnacle West Capital and Arizona Public Service Co. Commercial Paper Ratings

This letter is provided in response to a request that Fitch ("Fitch") (see definition below) verify the ratings of Pinnacle West Capital and Arizona Public Service Company's commercial paper programs. As of today's date, Fitch verifies that the commercial paper program ratings for Pinnacle West Capital and Arizona Public Service Company are 'F3'.

Ratings assigned by Fitch are based on the information and documents provided to us by the issuer and other parties. Fitch relies on all these parties for the accuracy of such information and documents. Fitch did not audit or verify the truth or accuracy of such information.

Ratings are not a recommendation or suggestion, directly or indirectly, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan, security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

This verification of the ratings described above by Fitch does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between us and any user of the ratings.

Fitch relies on the issuer and other parties to promptly provide Fitch with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

In this letter, "Fitch" means Fitch, Inc. and Fitch Ratings Ltd and any subsidiary of either of them together with any successor in interest to any such person.

If we can be of further assistance, please contact me at 212 908 0531.

Sincerely,

Philip Smyth, CFA
Senior Director

McGill, James T(Z71171)

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Wednesday, November 11, 2009 12:55 PM
To: McGill, James T(Z71171)
Subject: Letter
Attachments: Pinnacle West Cap. Corp. - CP .11.11.09.pdf

Jim,

Attached is the letter you requested. Let me know if you need anything else.

Regards,
Laura

<<Pinnacle West Cap. Corp. - CP .11.11.09.pdf>>

Laura J.K. Schumacher

Vice President / Senior Analyst
Global Infrastructure Finance
Power / Utilities - Americas
212.553.3853 tel
212.298 6316 fax
laura.schumacher@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moodys.com

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INVESTORS SERVICE

7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moodys.com

November 11, 2009

Mr. James T. McGill
Corporate Finance – Treasury
Pinnacle West Capital Corporation
400 N. 5th Street, 19th Floor
Phoenix, AZ 85004

Dear Mr. McGill:

Per your request, this is to acknowledge that Moody's Investors Service's current short-term ratings for the commercial paper obligations of Pinnacle West Capital Corporation and its subsidiary Arizona Public Service Company are as follows:

Pinnacle West Capital Corporation: Prime-3

Arizona Public Service Company: Prime-2

Moody's ratings are subject to revision or withdrawal at any time without prior notice. The ratings and any revisions or withdrawals thereof will be publicly disseminated by Moody's through normal print and electronic media and in response to oral requests to Moody's rating desk.

If I may be of further assistance, please call me at (212) 553-3853.

Sincerely,



Laura J. K. Schumacher
Vice President - Senior Analyst

McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Friday, November 13, 2009 8:05 AM
To: 'Bettinelli, Antonio'
Subject: Sep SP-Liquidity Survey.xls

Attachments: Sep SP-Liquidity Survey.xls

Tony,
Here is September survey.

Jim



Sep SP-Liquidity
Survey.xls (1...

Line S&P LIQUIDITY SURVEY

1

2 Company:
3 Date (date as of)
4

5 Section I - Sources of Primary Liquidity

10 Question A1 Total Unrestricted Cash
11 Question A2 Availability under committed bank lines
12 Question A3 Collateral posted
13 Question A4 Market Value of Discretionary Inventory
14 Question A Total Primary Liquidity (A1+A2+A3+A4)

15
16 Question A7 Collateral received from counterparties (cash only)
17
18

19 Section II - Credit Event Liquidity Calls

20 Question B1 Negative MTM related to credit thresholds
21 Question B2 Negative MTM related to adequate assurance
22 Question B3 Estimated 60-Day Exposure
23 Question B Net Exposure (net as allowed by contractual terms)
24

25 Question C Static Margin
26 Question D Triggers in loans & contracts
27 Question E Commercial Paper outstanding (including PC Bonds)
28 Total Credit Event Exposure (B+C+D+E)
29

30 CELA Ratio Credit Event Liquidity Adequacy (A/(B+C+D+E))
31

32 Section III - Credit and Market Event Liquidity Calls

34 Question F1 Neg MTM given a Credit Event + 15% price increase in 1st yr and 20% thereafter
35 Question F2 Neg MTM given a Credit Event + 15% price decrease in 1st yr and 20% thereafter
36 Question F Take larger of the two above (F1 or F2)
37

38 MCELA Ratio Market & Credit Event Liquidity Adeq (A/F)
39

40 Section IV - Monthly Volume (realized physical sales and purchases)

41 Question G1 Natural Gas (mmBtu) Purchases
42 Question G2 Natural Gas (mmBtu) Sales
43

44 Question G3 Power (MWh) Purchases
45 Question G4 Power (MWh) Sales
46

47 Question G5 Crude Oil (bbl) Purchases
48 Question G6 Crude Oil (bbl) Sales
49

50 Question H Baseline Henry Hub Average One-Year Forward Price of Gas used for this survey (\$/MMBtu)?
51

Question I Absent a credit event and assuming a parallel shift of the entire forward curve, how high/low must the average one-year forward price of gas (Henry Hub) move before your company exhausts all sources of primary liquidity reported in Question A? Please consider both the effect of additional margin calls as well as other working capital items. ^{NA}

Notes:

- (a) Exclude cash collateral posted to back LCs.
(b) Gas inventory used for arbitrage trading will be considered a source of primary liquidity as long as the inventory is not pledged as security under the terms of an existing bank line.
(c) Absolute price the average one-year forward price of gas would have to reach to exhaust all primary liquidity. Assume that power and oil prices move in proportion to gas prices. Cash collateral from counterparties should NOT be counted as a source of primary liquidity.
(d) Available threshold on 9/30/09.
(e) Primary liquidity would not be exhausted even at an average one-year forward price of gas of

Arizona Public Service
September 30, 2009

Pinnacle West Capital Corp.
September 30, 2009

Amount (millions \$)

Amount (millions \$)

\$ \$
\$ \$
\$ \$

1

1

Underlying exposure

Underlying exposure

\$ \$
\$ \$
\$ \$

\$ \$
\$ \$
\$ \$

\$ \$

Line 31 after stress

Line 31 after stress

\$ \$
\$ \$

\$ \$

McGill, James T(Z71171)

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Monday, November 16, 2009 10:04 AM
To: McGill, James T(Z71171)
Subject: RE: Sep SP-Liquidity Survey.xls

Thanks Jim.

From: James.McGill@pinnaclewest.com [mailto:James.McGill@pinnaclewest.com]
Sent: Friday, November 13, 2009 7:05 AM
To: Bettinelli, Antonio
Subject: Sep SP-Liquidity Survey.xls

Tony,
Here is September survey.

Jim

Email Firewall made the following annotations

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McGill, James T(Z71171)

From: Higuchi, Dene C(Z05435) on behalf of Hickman, Rebecca (Z46875)
Sent: Tuesday, November 17, 2009 5:18 PM
Subject: PNW/APS: Press Release Regarding ALJ Recommended Order on Regulatory Settlement

Today, we issued a press release regarding an Arizona Corporation Commission administrative law judge's recommended order in APS' pending general retail rate case.

The text of the press release is included below in this message for your convenience. In addition, a copy of the ALJ's recommended order is available on the ACC's website at <https://edocket.azcc.gov/> under docket number E-01345A-08-0172.

As always, if you have questions about this release or need other information about our company, please contact me.

Sincerely ~

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

ALJ RECOMMENDS APPROVAL OF APS REGULATORY SETTLEMENT

PHOENIX – On November 17, 2009, the administrative law judge (ALJ) in Arizona Public Service Co.'s (APS) general retail rate case pending before the Arizona Corporation Commission (ACC) issued a recommended order in the proceeding. The order recommends ACC approval of the regulatory settlement agreement proposed by APS and other parties to the rate case.

Parties to the proceeding may file objections and suggested changes to the recommended order on or before November 27, 2009. The ACC will consider the recommended order and any suggested changes during an open meeting, which is tentatively scheduled for December 7, 2009.

APS, Arizona's largest and longest-serving electric utility, serves more than 1 million customers in 11 of the state's 15 counties. APS, with headquarters in Phoenix, is the largest subsidiary of Pinnacle West Capital Corporation (NYSE: PNW).

- 30 -

McGill, James T(Z71171)

From: Philip.Smyth@fitchratings.com
Sent: Wednesday, November 18, 2009 9:38 AM
To: McGill, James T(Z71171)
Subject: Fitch draft press release attached for your review prior to release today...

Attachments: PNW_APS_press release(draft - comment)_11.18.2009.doc



PNW_APS_press
release(draft - ...

thanks Jim

(See attached file: PNW_APS_press release(draft - comment)_11.18.2009.doc)

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Draft Press Release

ALJ Recommended Order and Opinion in APS' GRC Consistent With 'BBB-' IDR & Stable Rating Outlook

Fitch Ratings-NY-November 18, 2009: The administrative law judge (ALJ) in Arizona Public Service Company's pending general rate case (GRC) issued a recommended opinion and order adopting the settlement agreement. The proposed settlement was filed by the company and intervenors in the GRC with the Arizona Corporation Commission (ACC) in May 2009. Approval of the settlement by the ACC later this year without major modification would, in Fitch's opinion, support credit metrics consistent with APS' current 'BBB-' long-term issuer default rating (IDR) and Stable Rating Outlook. Fitch notes that the ACC is not bound by the settlement or the hearing examiner's recommendation. Parties to the GRC may file objections and suggested changes to the recommended order by November 27, 2009 and the ACC is scheduled to consider the ALJ recommended order and any suggested changes on December 7, 2009.

The settlement agreement contemplates a \$207 million base rate increase effective January 1, 2010, predicated on an 11.0% authorized return on equity (ROE). Line extension fees would be recorded as revenues instead of contribution-in-aid-of-construction under the terms of the settlement. The agreement-in-principle as proposed would authorize deferral and recovery of pension and OPEB costs.

Under the terms of the agreement, APS would reduce operating costs \$150 million over five years and agrees not to file a GRC before June 1, 2011; rates would remain unchanged through July 1, 2012. In addition, APS agrees to obtain \$700 million of equity infusions in 2010 through 2014.

The pending GRC, if rates are put into effect January 1, 2010, would have a duration of 21-months from the initial filing date. The agreement states that the parties (ACC staff, the company and intervenors) intend to process future rate cases within 12-months of sufficiency findings, which could reduce regulatory lag and provide opportunity

for improved utility earned returns. Attrition due to timing differences between when costs are incurred and recovered in rates remains a significant potential threat to APS' creditworthiness, in Fitch's opinion.

GRC Background APS filed its 2008 GRC with the ACC on March 24, 2008 based on a test year ending September 30, 2007. On June 2, 2008, at the request of the ACC staff, APS filed an updated rate request based on a test year ending December 31, 2007. The utility in its filing supports a \$278 million rate increase based on an 11.5% authorized ROE and a weighted average cost of capital of 8.86%. The company's proposed \$5.4 billion rate base includes units 5 and 6 of the Yucca Mountain plant, steam generator replacement at Palo Verde Nuclear Generating Station unit 3, and environmental upgrades to APS's coal plants.

Fitch affirmed the ratings of APS and its corporate parent, Pinnacle West Capital Corporation (PNW; IDR 'BBB-'; Rating Outlook Negative) on April 9, 2009.

For further information please refer to the PNW press release dated April 9, 2009 and Credit Analysis Report dated May 13, 2009.

Contact: Philip Smyth, CFA +1-212-908-0531 or Robert Hornick +1-212-908-0523, New York.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Wednesday, November 18, 2009 11:06 AM
To: 'Philip.Smyth@fitchratings.com'
Subject: Draft press release

Attachments: PNW_APS_press release(draft - comment)_11.18.2009.doc

Phill,
Just a couple minor corrections.

Jim



PNW_APS_press
release(draft - ...

Draft Press Release

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McGill, James T(Z71171)

From: Philip.Smyth@fitchratings.com
Sent: Wednesday, November 18, 2009 11:16 AM
To: McGill, James T(Z71171)
Subject: Re: Draft press release

Attachments: PNW_APS_press release(draft - comment)_11.18.2009.doc



PNW_APS_press
release(draft - ...

Thanks Jim.

James.McGill@pinn
aclewest.com

11/18/2009 01:05
PM

Philip.Smyth@fitchratings.com

To

cc

Subject

Draft press release

Phill,
Just a couple minor corrections.

Jim

Email Firewall made the following annotations

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attached file: PNW_APS_press release(draft - comment)_11.18.2009.doc) (See

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Draft Press Release

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